



State of Arizona
Department of Education

Empowerment Scholarship Account

*A Guide to Utilizing Your
Empowerment Scholarship Account*

School Year 2016/2017

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Chapter 1: Introduction

1.1 What is an Empowerment Scholarship Account?

An Empowerment Scholarship Account (ESA) is an account administered by the Department of Education (ADE) and funded by state tax dollars to provide options for the education of qualified students in this state.

90% of the student’s State aide (does not include federal funding or other funding) would be allocated to applicant of the qualified student to provide an education and must include at a minimum the following subjects: reading, grammar, mathematics, social studies and science. The ESA program allows applicants of qualified students to utilize public monies to purchase other educational services from private schools, individuals, and vendors.

1.2 Accepting an Empowerment Scholarship Account

By accepting an ESA, the applicant of the qualified student(s), agrees to abide by an annually signed contract that states the terms and conditions. The Department reserves the right to revoke ESA funding for those found in violation of the contract. Terms and conditions include:

- Student cannot be enrolled in a public school (including charters and public online schools)
- Applicant releases the public school system from educating the student and providing services. School districts are released from their obligation and, unless stipulated in statute, may decline enrollment and assistance as long as the qualified student is under an ESA contract
- Student cannot receive any tax-credit or School Tuition Organization (STO) scholarship concurrently in the same year as receiving ESA funds
- Applicant shall submit quarterly expense reports, completed by a given deadline
- Applicant shall spend a portion of the quarterly funds each quarter
- Applicant shall spend at least 25% of the annual award by the end of contract year

Note: *Not all terms are listed above; please refer to your ESA contract for all terms and conditions)*

By opting out of the public school system, applicants can seek a range of alternative educational services, such as private schools, home-based education, tutoring, and educational therapies (*for students with disabilities only*). Funded by the state, tailored by the applicant, and individualized for the student—the ESA program provides a unique opportunity to prepare Arizona students to succeed in school and life.



1.3 Handbook Purpose

The purpose of the ESA handbook is to establish and supply official instruction concerning policies, procedures, and implementation of the ESA program. Please note that policies are subject to change any time during the contract year in which the Department will notify applicants of change(s) and effective dates.

It is strongly encouraged to stay informed by monitoring the [ESA Website](http://www.azed.gov/esa) (www.azed.gov/esa).

1.3.1 Handbook Updates and Renewal

The ESA handbook is reviewed by ESA staff under the guidance of ADE's Legal Unit and the Attorney General's office. Policies can and will be added and/or redacted in response to newly-enacted legislation, court decisions, and/or suggestions for best practices.

Per Arizona Statute §A.R.S15-2403(H): "The Department may adapt rules and policies necessary for the administration of empowerment scholarship accounts."

The most up-to-date handbook is available electronically on the ESA website www.azed.gov/esa.

For topics not covered in the handbook, please contact an ESA Program Specialist.

1.4 How to Stay Updated

The Department is responsible for providing accurate information in a timely manner so applicants can fulfill their responsibility of following the rules and policies of the program. We communicate officially via email. However, if an email address is not provided on the application, official correspondence and any major policy/statute changes are mailed instead.

Please contact ESA Staff to [update contact information](#) as necessary.

ESA Staff also offers other resources for our ESA families:

- Monthly Newsletter (currently in development)
- ESA Informational Meetings (scheduled as needed)
- Website www.azed.gov/esa



1.4.1 ESA Website and Links

Applicants are encouraged to monitor the ESA website for updates and information. The website is organized in the following sections:

- **Main Page:** Default view when entering the web address
 - Return to this screen by selecting **ESA Overview** from the Main Menu
 - Contains **Tips of the Week** 
 - Updated/changed legislature
 - Updated/changed policy
 - Helpful information
 - New forms or procedures
 - Notification of updated documents

➔ Direct Link: www.azed.gov/esa/tip-of-the-week/
 - Contains the **Expense Portal** 
 - New electronic expense reporting platform
 - Additional future functionality

➔ Direct Link: www.azed.gov/esa/portal/
- **Calendar:** Accessible by selecting **Calendar** from the top menu
 - Contains due date for expense reports
 - Contains dates for in-house training sessions
- **Common Terms:** Accessible on the right side of the screen
 - Contains words and acronyms frequently used within the Department
- **Forms:** Accessible on the right side of the screen
 - Contains any form that may be required for an ESA recipient
- **Training:** Accessible on the right side of the screen
 - Contains written training documentation and online training sessions

➔ Direct Link: www.azed.gov/esa/training/

1.5 Changes related to emails, addresses, and phone numbers

Changes to an email address, address, or phone number must be done in writing by emailing or mailing an ESA Program Specialist.

In addition, please contact Bank of America 1-866-213-8564 to update banking information. ESA Staff is not authorized to update any bank related information on behalf of an applicant.



1.6 Address Verification

In order to make sure ESA funds are utilized appropriately for Arizona students, the Department may request address verification at any given time via email or mail. The applicant (account holder) is to submit a current utility bill (from the current or previous month) in his or her name; failure to do so may result in termination from the ESA program.

1.7 Secure Information

The Department has the obligation, under the Family Educational Rights and Privacy Acts (FERPA), to ensure all information is kept confidential and secure. The Department will never release financial information or personal details (including contract information) regarding applicants or a student. This includes, but is not limited to, third-parties, private schools, service providers, and vendors.



Chapter 2: Approved Spending and Program Requirements

A.R.S § 15-2402(4) categorizes expenditures in which ESA funds are accepted. Expenses are made using the ESA Bank Card; out-of-pocket expenses are not reimbursable.

2.1 Approved Spending Categories

Below are approved spending categories in Arizona law for the ESA program.

Approved Spending Categories	Description
Tuition, fees, required textbooks and uniforms at a qualified school	A <u>qualified</u> school is defined as a private school in Arizona that serves PK-12 th grades. Schools cannot discriminate on the basis of race, color or national origin.
Educational therapies and/or services (applicable to Students with Disabilities only)	Therapies must be for the Student and from a licensed or accredited practitioner/provider, including licensed or accredited paraprofessionals or educational aides.
Tutoring services	All services must be delivered from an individual or provider who is accredited by a state, regional or national accrediting organization; accreditation must be currently valid (not expired).
Curriculum	Defined by the Arizona Department of Education as a “complete course of study for a particular content area or grade level.”
Tuition and/or fees for a private online learning program.	Any online private program
Fees for nationally standardized norm-referenced achievement tests	Advanced Placement exams and/or other exams related to college or university admissions such as ACT or SAT.
Coverdell education savings account contributions	Authorized by 26 United States Code §530, for the benefit of the qualified Student.
Post-secondary tuition, fees, and required textbooks	Must be acquired for the benefit of the student at public community college or university located in the state of Arizona.
Account fees	Charged by the bank administering the ESA.
Purchase of services provided by a public school	Approved individual classes and fees for extracurricular programs at a public school.



2.1.1 A Deeper Look at Spending

A.R.S. § 15-2403(H) states “The department may adopt rules and policies necessary for the administration of empowerment scholarship accounts...”

With thousands of options for applicants to choose from, ESA cannot produce a list of all approved and non-approved expenses. In the following pages, this handbook provides examples of common usage of ESA funds; this is not a comprehensive list of allowable expenses and is to serve as a guideline.

2.2 Tuition, Fees, Uniforms, & Required Textbooks for Private Schools

Tuition shall be paid to a qualified private school directly, and only for the instruction of the ESA student (specified on the ESA contract). Applicants shall request a **complete paid invoice** from the school to submit with their expense report. Failure to submit a complete paid invoice results in the applicant having to repay the funds spent. The invoice shall include all expenses paid to the private school, such as any textbooks and fees.

Tuition must be paid for within the current fiscal year; funds cannot be used to pay prior year expenses.

2.2.1 Half-Day Kindergarten Tuition

Keep in mind that ESA funds cannot be used to cover half-day tuition at a public school. Applicants cannot enroll a student for full-day Kindergarten at a public school that charges tuition for the second half of the day. In this situation, the school receives funds from both ESA and ADE, which is a violation of the contract.

2.2.2 Private School Fees

Many schools charge fees that are not approved by the program (e.g., transportation, computer hardware, etc.). As a result, **all fees submitted shall be itemized** on expense reports.

The following are approved fees:

- Registration fees
- Application fees
- Credit Card Processing fees
- Facility fees
- Supply fee (this fee does not include consumable items such as pens, paper, markers, art supplies, construction paper, pencils, folders, backpacks, etc.)
 - Note that an itemized breakdown of fees may need to be requested from the private school
- Computer Lab fees (this fee is not to allow the purchase of a personal notebook/computer)
- Book fees
- Lab fees (Science labs, Math labs, etc.)
- Tutoring fees



2.2.3 Required Textbooks

Many schools require students to purchase textbooks as part of their normal educational expenses, or additional books to supplement the student's curriculum. These purchases are approved for purchase with the ESA card.

Regardless of where the purchase is made, invoices or receipts are submitted with expense reports. Failure to submit invoices or receipts results in the applicant repaying the amount of the purchase(s).

2.2.4 Uniforms

Uniforms are an allowed expense but must be purchased through or from a qualified school; purchases made through an outside vendor, such as Walmart or Target, are not approved.

Uniform expenditures cannot exceed \$800 per school year.

2.3 Educational Therapies and Services

Educational therapies or services are individualized intervention and treatment plans designed to remediate learning problems through a combination of educational and therapeutic approaches.

Therapy is for the benefit of a student who has been identified with a disability through an evaluation (MET) from an Arizona public or charter school. Therapies or services for a student with disabilities **must be educational** and provided by a licensed or accredited practitioner or provider.

Arizona Revised Statute §15-2402 defines licensed or accredited as an "individual or facility accredited by a state, regional, or national accrediting organization."

When reviewing credentials:

- Confirm the credential complies with the statute stated above
- Confirm the credential is from a legitimate organization
- Confirm the credential is not expired



2.3.1 Examples of Approved Therapies and Credentials

Listed below are examples of therapies for students with a disability and their respective acceptable credentials. This is intended to serve as guidance and is not a comprehensive list. Credentials, paid invoices and receipts shall be submitted with quarterly expense reports.

Approved Therapies	Required Accreditation
Physical Therapy	Physical Therapy license (includes Assistant License)
Occupational Therapy	Occupational Therapy license (includes Assistant License)
Speech Therapy	Speech Language Pathologist Therapy license (includes Assistant License)
Vision Therapy	Vision Therapy license or certification (will NOT approve an ophthalmologist or optometrist license alone)
Hand Therapy	Physical Therapy license; Occupational Therapy license or related therapy credential
Music Therapy	American Music Therapy Association (AMTA) Certification Board for Music Therapists (CBMT)
Equine Therapy; Hippo therapy; Therapeutic Riding	Professional Association of Therapeutic Horsemanship International (PATH) Equine Assisted Growth and Learning Association (EAGALA) Recreational Therapy Certificate Certified Therapy Horse Association (CTHA) North American Handicap Riding Association (NAHRA) Equine Therapy Association (ETA) National Association of Certified Professionals of Equine (NACPET)
Aquatic Therapy	Aquatic Physical Therapy license Physical Therapy license Occupational Therapy license
Martial Arts Therapy	Occupational Therapy license Physical Therapy license State teaching certificate in Special Education American Taekwondo Association (ATA) certificate United States Martial Arts Association (USMA) certificate
Gymnastics Therapy	Occupational Therapy license Physical Therapy license State teaching certificate in Special Education USA Gymnastic certificate
Applied Behavior Analysis and Verbal Behavior Analysis	BCBA-D (Board Certified Behavioral Analyst – Doctorate) BCBA (Board Certified Behavioral Analyst) BCaBA (Board Certified Assistant Behavioral Analyst) Psychologist license
Art Therapy	American Art Therapy Association (AATA) Physical Therapy license Occupational Therapy license



Recreational Therapy	National Council for Therapeutic Recreation Certification (NCTRC) American Therapeutic Recreation Association (ATRA) Recreational Therapy License
Relationship Development Intervention (RDI) Therapy	ABA credential listed above for Applied Behavior Analysis and Verbal Behavior Analysis RDI certificate
Social Group Therapy	Psychologist license Certification in Cognitive-Behavioral Therapy (CBT) Social Work Counselor Certificate Speech Therapy license

ESA funds cannot be used to pay for any fees or costs due to cancelled or missed appointments.

Please make sure to obtain a complete invoice from the therapist to include with the expense report, as well as a copy of the required credentials (see examples above).

Refer to [Section 3.3](#) for therapies that are not covered by ESA and [Section 3.5](#) regarding medical insurance.

2.4 Psychological and Educational Evaluations

Students qualified under Special Needs are eligible for psychological and educational evaluations, testing, and/or assessments. These offer an opportunity to help identify a child's strengths and unique needs and provide helpful and practical recommendations for improvement and success.

2.5 Assistive Technology

Assistive technology is assistive, adaptive, and rehabilitative devices that promote greater independence by enabling students to perform tasks they were formally not able to accomplish or had difficulty accomplishing. The Department allows students with specific disabilities (identified on their public school Evaluation/MET Report or IEP) to rent equipment needed for therapies.

- Applicants must provide the renter's Agreement for Equipment with their expense report
- ESA funds cannot be used to pay for equipment that is returned damaged or late



2.6 Tutoring/Teaching Services and Credentials

Tutoring and teaching services are provided by individuals or facilities accredited by a state, regional, or national accrediting organization.

- **Hiring of family members is prohibited** – ESA funds cannot be used to hire family members or other ESA family members to provide approved tutoring services.
 - Students may attend a family-owned or operated school using ESA funds; however funds cannot be refunded from the school to the family. The Department reserves the right to collect additional information regarding the nature of services provided, the recipients of the services, and the companies/schools involved.
- **Required credentials** – Applicants are responsible for reviewing credentials; to make sure that the credential is legitimate and unexpired. Copies of the credentials must be submitted with quarterly expense reports.

2.6.1 Approved Tutor/ Teacher and Credentials

Credential	
Bachelor Degree or higher	Copy of Degree
State Teaching Certificate	Copy of Certificate - Cannot be expired
State Substitute Teaching Certificate	Copy of Certificate - Cannot be expired

2.6.2 Approved Facilities

The following are pre-approved facilities in which credentials do not need to be submitted with expense reports. Please note that these are not endorsed by the Department.

Sylvan Tutoring Center	OnTrack Tutoring
Kumon Math and Reading Center	Tutor Time

2.6.3 Extra-Curricular Tutors and Credentials

Listed below are examples of specific extra-curricular subjects and their respective acceptable credentials. This is intended to serve as a guideline and is not a comprehensive list.

Specific Subject	Credential to Review
Physical Education (P.E.)	Certified Personal Trainer State Teaching Certificate with P.E. endorsement Sports Medicine Endorsement/Certificate Bachelor’s Degree or higher in P.E. or related field AIA Training Certificate w/ DPS Fingerprint Clearance Card NFHS Coaching Certificate w/ DPS Fingerprint Clearance Card
Swimming	Water Safety Instruction (WSI) Certificate SWIM USA Certificate American Red Cross Certificate for Swimming and Water Training American Red Cross Certificate for Lifeguards
Driver’s Education	Teaching Certificate with Driver’s Ed Endorsement



	Three semester hour course taken from an accredited institution (certificate of completion must be submitted) 45 hours of state approved classes in each of the following safety education, driver and highway safety education, and driver's education laboratory experience (submit official transcript or certificate with 45 hours of state approved classes in each of the classes listed)
Dance	Dance Master of America Certificate National Association of School of Dance Certificate Dance Educators of America Certificate State Teaching Certificate with Dance endorsement Bachelor's degree or higher in Dance, Performance Arts, or related field
Music	State Teaching Certificate in Music Bachelor's degree or higher in Music or related field

Please make sure to obtain a paid invoice from the tutoring service to include with the expense report, as well as a copy of the required credentials (see examples above).

2.7 Paraprofessionals/Aides

Paraprofessionals and aides are an approved expense for students with disabilities only (identified on a public school Evaluation/MET Report or IEP). Paraprofessionals are not the same as tutors/teachers; these individuals assist the tutor/teacher or applicant with the education of the student. As such, different credentials are required.

2.7.1 Approved Paraprofessional/Aide Credentials

Credential	Credential to Review
Associate's degree or higher	Degree or transcripts (official or unofficial)
60 or more college credit hours from an accredited university, college, or community college	Transcripts (official or unofficial) must be on file
Pass 1 of the 3 paraprofessional tests	ParaPro ACT Workkeys Master Teacher's Para Educators Learning Network



2.8 Curriculum and Supplemental Material

Curriculum, defined by statute (§A.R.S15-2401) as “a complete course of study for a particular content area or grade level,” can be purchased using ESA funds. The Department only accepts curriculum that encompasses a complete course of study for a **particular content area or grade level**. This is often referred to as “*explicit curriculum*” and is the official online, or written, curriculum, which provides a basic lesson plan (objectives, sequences, materials) and specifies what is taught, methods used, and expected learning outcomes. Curriculum is grade specific and used to instruct a student in a subject for any given number of units, chapters, quarters, semesters, or years.

The following sections provide guidelines, each to be considered, when purchasing curriculum.

2.8.1 Grade Level Guideline

Does the curriculum clearly state that it is for a specific grade level/age range?

- If the answer is **yes**, is the grade level within 1-2 levels of the student?
 - If so, the curriculum is likely to meet this guideline
 - If the grade level is not in the range, but the curriculum is appropriate for the student based on need, the curriculum may be an allowable expense.
- If the answer is **no**, continue to the next guideline (below)

2.8.2 Content Area/Subject Guideline

Arizona Statute §A.R.S15-2402(B) states that a portion of account monies must be spent “at least in the subjects of reading, grammar, mathematics, social studies, and science.”

Does the curriculum fall into the subjects listed above?

- If the answer is **yes**, the curriculum is likely to meet this guideline
- If the answer is **no**:
 - Is the curriculum for another academic subject, like History or Geography?
 - If the answer is **yes**, the curriculum is likely to meet this guideline
 - If the answer is **no**:
 - Is the curriculum for extra-curricular subjects?

The department allows applicants to make decisions on purchasing curriculum for extra-curricular subjects, while reserving the right to decline them if the cost far exceeds the purchases made for academic curriculum each contract year. A.R.S §15-2402(B)(1)

For example, if you spend \$1,000 on curriculum during the school year, purchases of core/academic subjects must make up 60%, or \$600, of your curriculum purchases. The remaining 40%, or \$400, in curriculum purchases could then be for extra-curricular subjects.



2.8.3 Required Supplemental Material Guideline

Often, curricula may require or recommend additional materials. Per A.R.S. §15-2401(1), supplemental materials are approved when “required by the curriculum and approved by the Department,” and **not** specifically disallowed in ESA statute (A.R.S. §15-2401 through A.R.S. §15-2404).

Does the curriculum explicitly require or recommend the supplemental material(s)?

- If the answer is **yes**, the supplemental material is likely to meet this guideline. Additional documentation is required with the quarterly expense report (see 2.8.3.1 and 2.8.3.2)
- If the answer is **no**, but the curriculum is appropriate for the student based on need, the curriculum may be an allowable expense

2.8.3.1 Reasonable Price and Amount of Supplemental Material

The following should be considered when purchasing materials with ESA funds:

- Is the price, and the amount purchased, of the supplemental material reasonable?
 - Applicants are advised to obtain 2-3 quotes prior to purchasing the item to ensure the cost of the item is reasonable.
 - *Example:* If the curriculum requires one \$20 microscope and a purchase is made for a \$400 microscope, or for three microscopes, the expense will not be approved.
 - The cost of the supplemental material should not exceed the cost of the curriculum.
 - *Example:* If the curriculum costs \$500 and requires a telescope as supplemental material, the purchase of a \$5,000 microscope will not be approved.

Examples of supplemental materials that can be approved when required by curriculum include science experiments and manipulatives.

2.8.3.2 Consumable Materials in Supplemental Material

Experiments or curricula may call for items classified as consumable educational supplies. A general rule regarding consumable materials:

- **Single Use vs. Repurposing:**
 - Single Use is any item(s) that can be used once and discarded
 - Repurposing is any item(s) that can be used indefinite or be given another form of usage

Many materials purchased for educational use can be easily repurposed, including computers, magazines, lab equipment, iPads, pens, pencils, salt, sugar, batteries, light bulbs, matches, clocks, construction paper, pencils, color pencils, and markers **are not** approved.

Other material can be classified as Single Use items such as litmus paper, pipets, microscope, lens for microscope, protractor, etc. and may be approved if the curriculum states it is required.



Contact an ESA Program Specialist prior to purchasing supplemental materials if assistance is necessary.

2.9 Tuition, Fees, and Required Textbooks for a Nonpublic Online Program

ESA approves tuition, fees, and required textbooks for any private online school. ESA also covers fees for online learning programs. This is only for the student(s) awarded an ESA. Please note:

- ESA will not pay for family memberships
- ESA will pay for memberships up to 1 year for online learning programs (if applicable) only for the student on the ESA program
- If there are multiple students on the ESA program, each must purchase their own access or online learning program membership
- If purchasing a family online learning membership for multiple students on the ESA program, each card must be used (you may split payments)

2.10 Fees for Achievement and Placement Tests

Applicants may utilize ESA funds to pay for their student to participate in nationally standardized norm-referenced achievement tests that determine knowledge/ability of grade-level material, advance placement exams, or any exams related to college or university admission.

The following are some examples of assessments that are acceptable (but not limited to):

- California Achievement Test (CAT)
- TerraNova
- Iowa Test of Basic Skills (ITBS)
- Tests of Academic Proficiency (TAP)
- Metropolitan Achievement Test (MAT)
- Stanford Achievement Test (SAT)
- American College Test (ACT)

2.11 530 Coverdell Education Savings Accounts

530 Coverdell Education Savings Accounts are tax-advantage investments designed to encourage savings for future educational expenses. More information regarding Coverdell accounts are found in section 530 of the Internal Revenue Code (26 U.S.C § 530).

A Coverdell account must:

- Be opened in the Contract Holder's name only
- Be for the awarded ESA Student (beneficiary) only
- Be reported to the IRS



Applicants should first provide an education to their child before using any unspent funds towards a Coverdell Education Savings Account. Please keep in mind that a maximum contribution of \$2,000 cannot be exceeded for the year. The holder of the ESA account (applicant who signed the ESA contract) must also be the signatory on the Coverdell account. The purpose of a 530 Coverdell is primarily to save money for students to attend college and expenditures shall still adhere to ESA guidelines. Transferred funds must be reflected on the expense report for the appropriate quarter in which the money was deposited.

The Department does not allow applicants to withdraw cash, cash advance, or obtain a cashier check to directly invest ESA monies into a private financial institution offering Coverdell accounts.

2.11.1 Required Documents and Taxes

As part of ESA accountability, the Department requires all investments in a Coverdell account to be recorded and submitted with the expense report. When opening an account for the first time, an applicant must submit all account-related documentation. This includes:

- Student's account overview from the financial institution
- Account statements

Transferring ESA funds into a Federal 530 Coverdell in the qualified student's name will make the funds taxable income. Before proceeding, applicants should be aware that this may affect other state-assistance programs, such as DDD and AHCCCS.

Please contact a financial advisor or financial institution for questions regarding 530 Coverdell accounts. ESA Staff does not have the appropriate licensing and training to assist with questions regarding these accounts.

2.12 Tuition, Fees, and Required Textbooks at an Eligible-Postsecondary School

ESA funds can be used for the benefit of the qualified ESA student to pay for:

- Community College
- University
- Trade School
- Vocational School

ESA funds cannot be used for room-and-board, meals, meal plans, or food. ESA funds can be used to purchase textbooks required by universities or college classes, as well as any textbooks required by trade and vocational schools.



2.13 Fees for Management of the ESA Accounts

The Arizona State Treasurer's Office works with the Bank to remove re-occurring account fees for ESA recipients. However, there are two types of fees that the Bank may charge:

- Lost Card fee: \$5.00
- Expedited Shipping fee: \$15.00

ESA funds can be used to offset these fees if logged on the expense report.

2.14 Services Provided by a Public School

ESA funds may be utilized to pay for individual classes and fees for extracurricular programs provided by a public school (including charter and online schools), such as drama club, band, cheerleading, sports, art classes, music classes, etc.

Note that schools and districts are not under obligation to accept ESA students for these activities, even if paying for the services, classes, or extra-curricular activities.

If a school accepts an ESA student, make sure the following is done to avoid suspension or termination from the ESA program:

- Contact the district to ensure they accept students paying tuition
- If the ESA student does attend and pays tuition, make sure the student is not enrolled as a district student, but as a tuition paying student
 - Enrolling in a public school as district student may lead to termination from the ESA program and repayment of used ESA funds
- Make sure the school provides a complete paid invoice for all activities to include with the quarterly expense report.



Chapter 3: Disallowed Spending

The following expenses are specifically disallowed by law (A.R.S § 15-2402):

Disallowed Spending Categories	Description
Consumable educational supplies	Paper, pencils, pens, markers, erasers, folders, backpacks, batteries, light bulbs, salt, sugar, etc.
Computer hardware & other technological devices	Laptops, iPads, Desktops, iPods, keyboard, mouse, USB drives, calculators, etc.
Transportation	Reimbursement for gasoline, buses, taxis, ride share, or transportation provided by the school, etc.
Clothing (except Uniforms)	\$800 of ESA funds can be spent on required school uniforms; all other clothing purchases are prohibited
Field Trips	Field trips to zoos, farms, museums, etc. are not allowed using ESA funds.

3.1 Disallowed Expenses (Misspending)

To protect Arizona tax dollars, ESA pursues any and all misspending. Additionally, the Department assumes a zero tolerance policy on misspending. Any amount spent in a disallowed category, pursuant to the ESA agreement and Arizona statute A.R.S § 15-2402(B)(4), results in the following:

- Account suspension letter from the Department stating repayment amount.
- ESA account is suspended as soon as suspension letter is sent.
 - Applicants have 10 business days to contact the Department to either submit repayment, or provide documentation showing error.
 - If Applicant provides documentation showing there was an error, the account is unblocked within 1-3 business days.
 - If the misspending cannot be satisfied, the account remains suspended until repayment is complete. If necessary, repayment plans up to 6 months are offered.
 - i. If repayment is made in the form of a cashier's check or money order, funds are unblocked within 1-5 business days.
 - ii. If repayment is made in the form of a personal check, funds remain suspended until the check clears the Arizona State Treasurer's Office and the Arizona Department of Education; this may take up to 30 days.
 - iii. Quarterly funding is not disbursed until the full amount is paid back.

The Department sends a termination letter to the account holder if the applicant fails to initiate contact with 10 days of the date printed on the suspension letter. The account holder has 30 days to appeal, as further explained in [Section 7.1](#).



3.2 Disallowed Fees

ESA funds cannot be used for:

- Late Payment fees as result of delayed funding when an expense report is submitted late
- Childcare fees
 - This includes fees accrued by dropping a child off early, or picking a child up late, at school
- Transportation fees (ESA does not approve any transportation cost)
- Supply fees, including consumable items/materials
- Fees from missing appointments or showing up late
- Field Trip fees
- Lunch fees

3.3 List of Non-Approved Therapies

The following therapies are not approved for ESA students:

Not Approved Therapies and Services	
Massage Therapy	Psychiatrists
Nutritionists	Chiropractors
Eye Exams	Craniosacral Therapy
Acupuncture	Physical Exams

3.4 Non-Approved Supplemental Materials

Supplemental materials not approved by ESA:

- Toys
- Dolls
- Art Supplies
- Puzzles
- Games
- Kits
- Workshop
- Consumable Supplies and repurposed supplies
 - Refer to [Section 2.8](#) for additional information

When questioning if something is an allowable expense, please [contact the ESA Department](#).

3.5 Medical Insurance and Co-Pays

Therapies provided to students must be “Educational Therapies” under the Arizona law §15-2402(4)(c). Under current Department policy, co-pays, co-insurances, deductibles, or any forms of medical insurance cannot be used in combination with ESA funds. If medical insurance is used in conjunction with ESA, the account shall be suspended and funds must be repaid.



Chapter 4: Debit Card and Merchant Category Code (MCC Code)

Once accepted to the ESA program, monies awarded to students are entrusted to applicants in the form of a pre-paid bank card. The card lists both the student and the account holder but can only be used to educate the student.

4.1 ESA Prepaid Bank Card

The ESA prepaid bank card is sent to the mailing address provided on the ESA application.

The ESA bank card will arrive in a white envelope from Bank of America (please do not discard). If the card is accidentally thrown away, contact the bank for a replacement card at the following phone number: 1-866-213-8564. Note that Program Specialists cannot request a new replacement card or change contact information with the bank.

Follow the instructions on the back of the card to activate it. There is not a pin number associated with the bank card. The card does not permit cash withdrawals, cash advances, or the issuing of cashier checks.

Online banking is recommend for tracking spending and accessing bank statements and account information. For account balances, call the toll-free number located on the back the card; information about ESA cards cannot be obtained by walking into the bank.

Attempting cash withdrawals may be grounds for removal from the program.

4.2 MCC Codes

The Department, along with the Arizona State Treasurer's Office, is entrusted with ensuring that public tax dollars are spent in accordance with the law. ESA bank card restrictions are put in place to ensure monies that flow from the ESA program are spent in accordance with state statute (A.R.S §15-2401 - §15-2404).

A Merchant Category Code (MCC) is a four-digit number assigned to a business by credit card companies or banks when a business is set up to accept credit cards as a form of payment. The MCC is used to classify the business by the type of goods and services it provides.

Vendors and private schools may change their MCC codes without notice, which may cause an interruption in service. If an allowable purchase is denied, contact an ESA Program Specialist to look into the issue and open a new MCC code with the treasurer's office, if necessary. This process can take up to two weeks.



4.3 Allowable Forms of Payment for ESA Card

ESA does not allow an applicant to withdraw cash, request a cash advance, or obtain cashier's checks with the ESA prepaid bank card. Services paid for with an ESA card must be direct to the private school, vendor, tutor, or therapist.

ESA cards can be used the following ways:

Forms of Payment	Description
Point of sale	Card swipe / in-person payment
PayPal	Online payment service for paying tutors and aides; some providers may need to be verified before receiving funds and may incur PayPal fees. If you have issues with PayPal, please contact: <ul style="list-style-type: none">• Contact PayPal Customer Support at 1-888-221-1161
Phone/Internet/Mail	Purchasing materials by either entering card numbers online, on a paper mailing form, or verbally communicating them over the phone
Square Method	Payment made through a smart phone or tablet. A applicant is able to sign on the spot and have a receipt emailed to them from the Provider

Private schools and/or vendors cannot hold onto an ESA card. Applicants must have their ESA card in their possession at all times and all purchases must be made directly with the card.

ESA does not pay late fees if the Applicant made late payments or received late funding due to late expense report submission.

4.4 Funding Dates

Applicants that submit approved expense reports on time (refer to [Section 5.2](#)) receive funding on the following dates:

- **Quarter 1:** Funding is distributed **July 15-July 30**
- **Quarter 2:** Funding is distributed **October 15-October 30**
- **Quarter 3:** Funding is distributed **January 15-January 30**
- **Quarter 4:** Funding is distributed **April 15-April 30**

It is recommended to inform private schools of anticipated funding dates.



Chapter 5: Expense Reports

Applicants are responsible for submitting itemized expense reports each quarter, as stipulated in the ESA contract that is signed and returned by the applicant. The submission of expense reports every quarter is crucial in maintaining eligibility in the ESA program. This allows ESA to account for the educational spending of state funds to the taxpayers.

ESA funds may only be used on specific allowable expenses as discussed in the previous chapter, which are authorized by statute. The Department is authorized to audit all expenditures and request further information, if needed, from any ESA cardholder.

To comply with legal requirements, ESA cardholders submit expense reports and documentation quarterly for verification prior to disbursement of the next quarter’s funding

5.1 ESA Expense Report Form and Verification Form

The Department is in the process of upgrading to an electronic expense report system. This will provide an easier, more efficient, reporting method for applicants. Paper expense reports will continue to be submitted until the electronic version is complete.

The Department will notify applicants and provide online and in-person training to ensure the transition is successful. Applicants without internet access should contact their Program Specialist to discuss alternative options that work for their situation.

5.2 Expense Report Schedule (deadlines)

Quarterly payments (listed in [Section 4.4](#)) are made assuming expense reports are turned in by deadline and approved. Deadlines are 10 days before the end of the quarter. Reports submitted late are subject to potential audit and delayed payment. It is strongly urged to document expense report due dates to prevent late payments.

Quarter	<u>Dates</u>	Expense Report Due Date
1	July 1-September 30	September 20
2	October 1-December 30	December 20
3	January 1-March 31	March 20
4	April 1- June 30	June 20

Failure to submit an expense report within 90 days of the deadline may result in termination from the program.



5.3 Expense Report Required Documents

When submitting an expense report, paid invoices and receipts are required. The electronic expense report form will allow these documents to be uploaded. It is important that all fees and materials purchased during the quarter are itemized; this may require requesting an itemized invoice.

Credentials are submitted with the expense report for students receiving tutoring or teaching services ([Section 2.6.1](#)) and for students with disabilities receiving educational therapies ([Section 2.3.1](#)). If additional information is required, applicants will receive an email specifying what additional documentation is necessary.

Important to remember: Unused ESA funds continue to roll-over on a quarterly basis. Therefore, applicants are not required to spend all of their quarterly disbursement at one time. However, applicants are required to spend something (any dollar amount) every quarter to equal at least 25% of the yearly award by the end of the year (June 20th).

Chapter 6: Contract Renewal

Applicants choosing to remain on the ESA program sign a new contract each fiscal year and **do not need to reapply**. These contracts are emailed by the Department and returned by the applicant. The only required documents are the fourth-quarter expense report submitted before June 20th, attestation form, and signed contract. The exception to this is for incoming kindergarten students with a MET/Evaluation report service code of PS-D (preschool severe delay).

If an ESA renewal contract is not received by the deadline date, the Department assumes the applicant is not interested in staying on the program. These students automatically exit the program on July 1st. Unspent funds are returned to the Treasurer's Office and the ESA account is closed.

6.1 Eligibility for Renewal

The following is required to remain eligible for renewing an ESA contract:

- Submitted Quarter 1 through Quarter 4 expense reports;
- Spent 25% of annual funding;
- Any unapproved expenses were repaid
- Complied to terms and conditions of the contract
- Spent monies on core subjects, as stated in statute (see [Section 2.8.2](#))



6.2 Returning Renewal Contracts

The Department does not accept digital copies of signed contracts. Contracts must be either mailed or delivered to the Department of Education at:

Arizona Department of Education
Attn: ESA
1535 W. Jefferson St. Bin# 41
Phoenix, AZ 85007

Chapter 7: Removal Process

Pursuant to A.R.S. § 15-2403(C), the Department may remove any applicant or qualified student from the ESA program if the applicant or qualified student fails to comply with the terms of the contract, state law, rules, policies, or misuses ESA funds.

Violation results in the following:

- Suspension letter stating violation(s) and 10 days to contact ESA
 - Account is suspended
- Hold of quarterly disbursements until repayment is complete
- Termination letter if no contact is made to ESA within 10 days of the suspension letter

Refusal or failure to contact and comply with the Department will result in termination from the program.

- If the account holder wishes to appeal the termination, they can submit an Appeal Letter within 30 days of the date specified on the termination letter
- If the account holder is not heard from within the allotted time, the account is closed, and any misspent funds or unaccounted funds are sent to the Attorney General's Office of Collections.
- The account holder and student are not eligible to re-apply to the ESA program in the future



7.1 Appeal Process

Upon receipt of the termination letter, every recipient has the right to appeal. This process is outlined in the termination letter. To appeal a termination:

- Provide written notice of appeal to the Department within 30 days of the date specified on the termination letter. This notice includes:
 - a. Account holder's name (as written on ESA contract)
 - b. Current address (city, state, zip code)
 - c. Contact information (email and phone number)
 - d. A clear statement of reason for appeal
- Upon receipt of appeal letter, the Department's Legal Unit contacts the Applicant to explain the next steps.
- The Department receives a Notice of Appeal and Request for Hearing notice
 - If the Department does not receive notice within the 30 days, the termination decision is final
- The ESA account remains suspended during the appeals process; account holder does not have access to account.
- The Department's Legal Unit will schedule a hearing at the Office of Administrative Hearings. A judge provides a recommended decision to the Superintendent of Public Instruction, who will accept, reject, or modify the decision.

Documented proof is required by the applicant and shall be brought to the hearing.

The applicant can also request an informal settlement conference, pursuant to A.R.S. § 41-1092.06, by submitting a written request to the Department, no later than 20 days before a scheduled hearing. Note that documented proof is required from the applicant.

7.2 Reasons Applicants Are Terminated

There are four main reasons that applicants are terminated from the ESA program.

1. Enrolling and attending a public, charter, or public online school;
2. Attending summer school at a public, charter, or public online school and not paying tuition;
3. Receiving School Tuition Organization (STO) scholarships or tax credit scholarships concurrently with ESA funds
4. Misspending funds



7.2.1 Attending a Public or Charter School

Participating ESA students cannot enroll in any public school, charter school, or online public school, as stated in the ESA contract “pursuant to A.R.S § 15-2402(B)(2), during the Term, Holder will not enroll student in a public school. Enrollment of the Student in a public school during the Term constitutes a violation of this Contract and will result in immediate termination of this Contract.”

This includes summer school. Note that private charter schools, and online schools like Primavera, are funded by the state and constitute as public schools.

7.2.2 Receiving an STO or Tax Credit Scholarships

Participating ESA students cannot receive any STOs or tax credit scholarships concurrently in the same year as receiving ESA funds.

If the ESA funds do not cover the full cost of private school and it is uncertain how the remaining costs are paid, contact the private school to confirm the student is not receiving an STO or tax credit scholarship.

As written in the ESA contract, “pursuant to A.R.S § 15-2402(B)(3), during the Term, Holder agrees not to accept a scholarship grant for Student from a School Tuition Organization (STO). Acceptance of a scholarship grant for Student from an STO during the Term constitutes a violation of this Contract and will result in immediate termination of this Contract.”

7.2.3 Other

Below are additional ways an applicant may be terminated from the ESA program (this is not inclusive list of all possibilities):

- Failure to submit an expense report within 90 days of due date
- Providing false information (application, contract, bank form, etc.)
- Fraudulent activity
- Not spending funds each quarter
- Not spending at least 25% of the annual amount by the fourth quarter
- Not submitting required documents by set deadline



Chapter 8: Exiting the ESA Program

A student may exit the ESA program in the following ways:

1. **Voluntary withdrawal:** Applicant chooses not to participate in the program
2. **Non-renewal:** Applicant chooses not to renew the following year's ESA contract
3. **Completing the Program:** Student exits the program once reaching 12th grade (see [Section 8.3](#))
4. **Removal:** ESA terminates Applicant from ESA program

8.1 Voluntary Withdrawal

The Department allows an applicant, on a case-by-case basis, to remove their child any time during the contract year from the ESA program. To remove a student from the ESA program, the Department requires the following information:

- Contract holder name
- Student's name

The Department determines if the Account Holder needs to complete a Close Account Request Form. This form is available online. Upon receipt of the Close Account Form, the Department reviews the student's file.

Keep in mind that applicants **may be asked to repay funds that have been used**. If so, the Department sends a letter requesting repayment.

Once Department determines to close the account, the applicant is released from the ESA contract and the student may return to public school. Prior to closing the account, the Department conducts a complete review the account and returns any remaining funds to the Treasurer's Office. If misspending is found, repayment is requested.

After closing an account, the applicant cannot reapply for the program until the contract year.

Note: Arizona law requires that a child between the ages of 6 and 16 be provided with an education. The exiting applicant may enroll their child in public school at any time after withdrawing from the ESA program.

8.2 Non-Renewal

Applicants may choose not to renew their annual ESA contract. Non-renewal of an ESA contract is not considered termination. The student and applicant remain eligible to reapply in the future.



On July 1st, those who did not return a renewal contract will have their ESA bank card closed and any unused funds will be unloaded. If repayment of funds is necessary, the Program Specialist sends a letter that details the funds to be repaid.

Applicants may reapply the following year, but funds previously rolled-over are not be reinstated.

8.3 Completing the ESA Program

When a student enters the ESA program, the student is moved in a cohort year. This means if the student enters the ESA program in 3rd grade, the following year the student moves into 4th grade, even if the Private School or Applicant decides to keep the student back a year. The student progresses one grade every year until reaching the 12th grade. All students are exited at 12th grade, except those identified with a disability per the criteria listed in Arizona Statute §15-2401(a)(i)(ii)(iii).

Revised Arizona Statute §15-2402 allows qualified students with a disability to remain in the program until 22 years of age when providing the department a written report from an independent evaluation team by July 31st of the student's second to last remaining year on the program. Additional policy and guidance for this process is currently under development.

During the 4th quarter, the Department emails each applicant with a 12th grade cohort to inform them their student will exit the program and provide the date in which any leftover funds are removed from their account.

Once exited from the program, the account holder has four years to use any remaining funds:

- Funds must still be used for the purpose of educating their child
- Expenses must still comply with [approved expenses](#), ESA policy and law.
- Expense reports must be submitted every quarter for the remaining four years
 - Failure to submit an expense report within 90 days of the due date results in termination from the program, which voids any remaining funds.

After completing the ESA program and exiting 12th grade, students are not explicitly prohibited from returning to public school. However, each county superintendent receives an annual list of ESA participants and each school district may have specific policies prohibiting re-enrollment of an ESA student beyond the age of 18, if determined the student completed their high school graduation requirements through the ESA program.

If a 12th grade student returns to public school at any time after the completion of ESA program, unused ESA funds are returned to the Treasurer's Office. If the Department determines funds need to be paid back, a notification email is sent. Failure to repay the requested funds may result in referral to the Arizona Attorney General's Office of Collections.



8.4 Removal

The Department may remove a contract holder from the program for a variety of reasons as discussed in [Chapter 7](#). If removed by the Department, the student and applicant cannot reapply for the ESA program in the future.

Chapter 9: Contact Information

ESA Applicants are assigned a Program Specialist. Please direct any questions to the assigned Program Specialist. If you do not know who your program specialist is, contact ESA Staff at esa@azed.gov or 602-364-1969.

Please be aware that any ESA Program Specialist is able to offer assistance to any applicant.

When contacting staff, provide the following information:

- Account holder (Applicant) Name
- Student Name
- Reason for contact (specific question, concern, issue)

9.1 ESA Contact Information

Due to the growth of the program, staff is often busy assisting other applicants and unable to answer the phone. It is encouraged to visit the ESA website at <http://www.azed.gov/esa> for updated and helpful information. Specific questions can be addressed in the following ways:

9.1.1 Email

- esa@azed.gov
- esareports@azed.gov (expense report documents only)

9.1.2 Phone

- ESA mainline: 602-364-1969
 - If leaving a message, please include your name, phone number, student's name, and reason for your call.

9.1.3 Mail

Arizona Department of Education
Attn: ESA
1535 W. Jefferson St. Bin# 41
Phoenix, AZ 85007



Change Log

School Year: 2016-2017

- **Version 3 (November):** Updated Supplemental Materials to include items **recommended** by curricula
- **Version 4 (December):**
 - Clarified the STOs and tax-credit scholarships cannot be received **concurrently** with ESA funds throughout manual where mentioned
 - Clarified that even if Supplemental Materials are not recommended by the curricula, it may still be allowable if best suited for a child's special educational needs ([Section 2.8.3](#))
 - Moved Medical Insurance section to Disallowed Spending ([Section 3.5](#)) (verbiage unchanged)
 - Added Psychological and Educational Evaluations to Allowed Spending ([Section 2.4](#))